

The State of Delaware

Planning for FY18 and FY19

February 20, 2017

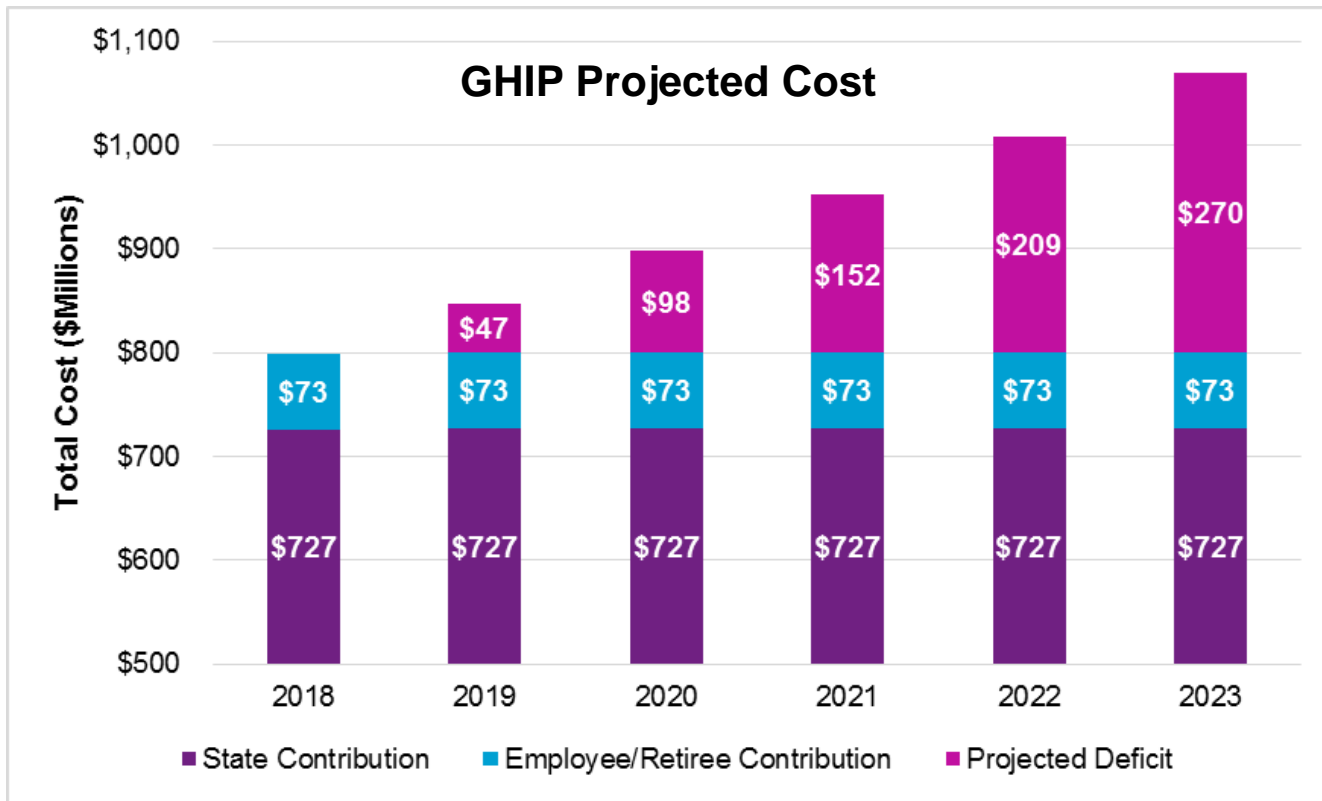


Agenda

- GHIP Long Term Cost Projections
- FY18 and FY19 funding
- Savings Opportunities
 - FY18
 - FY19
- Default Enrollment Options

Long term health care cost projections

Long-term cost projections of the Group Health Insurance Plan, at intermediate trend value of 6%, with no increase in state or employee/retiree contributions factored in for 2018 forward (assuming no program changes)



Every 1% of GHIP budget growth (trend) increases the FY18 projected budget by an additional \$8.0M. This would require an additional \$7.3M in State Contributions (\$5.0M from the General Fund), and an additional \$0.7M in employee/pensioner contributions.

Note: FY18 budget projections based on updated claims experience through December 2016 and revised ESI contract savings estimates. FY19 and beyond costs projected assuming 6% annual health care trend and no further program changes.

Projected funding requirements to offset GHIP budget deficits

FY18 & FY19

- While the GHIP FY17 experience is projected to generate a fund equity balance that will fully fund both the Claim Liability and Minimum Reserve for FY18, projected future health care costs will exceed the current contribution levels by \$47M* in FY19
- The State has an opportunity to act on savings opportunities in FY18 to mitigate the impact of future changes necessary to produce the savings required to offset funding deficits in FY19

Required funding to offset deficits in:	FY18	FY19
Additional Funding to Cover Claims	\$0M	(\$47.0M)
Claim Liability	\$0M	TBD
<u>Minimum Reserve</u>	<u>\$0M</u>	<u>TBD</u>
Projected Year-End Surplus/(Deficit) After Funding Reserve	\$21.3M	(\$25.7M)

Note: FY18 and FY19 surplus/(deficit) amounts reflect approximate portion of GHIP budget attributable to the Health Fund

*Of the \$47M deficit, \$32M is attributable to the General Fund.

FY18 savings opportunities

Identified elements from the GHIP strategic framework (finalized December, 2016)

- Outlined below are selected areas of potential FY18 cost savings from the GHIP strategic framework:
 - While some programs may not necessarily be effective 7/1/2017, savings shown below represent adoption during FY18 but do not capture future opportunities for additional savings beyond FY18 (i.e., trend reduction in FY19 and later). Savings noted are full year figures.

Opportunities Already Decided for FY18

Element	GHIP Goals	Description	FY18 Savings
Reduction of Administrative Fees through Medical TPA RFP ¹	○	The Medical TPA RFP resulted in reduced administrative fees for all plans and elimination of two plan options (Highmark HMO and Highmark CDH Gold)	\$1.5M
Addition of Value-Based Care Models ²	■○▲	Participation in vendor value-based care models, including Aetna (AIM) and Highmark (True Performance) will yield savings through risk sharing arrangements and better management of populations	\$1.6M
Improved Consumerism as a Result of Decision Support ³	▲○	Increasing decision support through education and marketing of health plan options may yield savings by making State employees better health care consumers	\$4.4M
Total Savings			\$7.5M

Additional Opportunities for FY18

Element	GHIP Goals	Description	Member Impact	FY18 Savings
Enhanced Highmark Clinical Management Program ⁴	○	Adoption of enhanced program for clinical management	Improved clinical management	\$3.2M - \$7.4M
Implementation of US Imaging ⁵	○	Adoption of US Imaging high tech radiology utilization management program with Aetna	Increased radiology management	\$0.2M - \$0.9M
Plan Design Modifications	▲○	Savings modeled here assume 7/1/18 implementation of the following design changes: Option 1 Add \$250 single / \$500 family deductible to the PPO plan only Option 2 Add \$250 single / \$500 family deductible to the PPO and HMO plans Increase the current CDH Gold and FSB deductibles by \$250 single / \$500 family	Increasing impact as higher deductibles are added	\$6.9M - \$12.2M
Special Medicfill Plan Modification	○	Elimination of contribution inequity for members who currently pay no monthly premium for the special Medicfill plan. This change would require these pensioners to pay 5% of the special Medicfill plan.	Increased payroll contributions	\$5.6M
Elimination of Double State Share ⁶	○	Employees and retirees who are married would no longer be eligible for reduced contributions. These members would be treated the same as other GHIP members.	Increased payroll contributions	\$3.5M
Total Savings				\$19.4M – \$29.6M

¹ Administrative Fees for FY18 exclude additional fees for value-based care models (AIM and True Performance). Savings reflects migration from Highmark HMO and Highmark CDH to other plan options.

² Savings net of risk sharing payments, Care Link and True Performance program fees.

³ Decision support savings are a high-level estimate, assuming 1% reduction in medical claim costs for Active population—these savings are not explicitly built into FY18 projections

⁴ Savings estimate based on Highmark FY18 plans only. Excludes savings for enhanced clinical management through Aetna AIM. Savings net of administrative fees.

⁵ Savings estimate provided by US Imaging. Range reflects the degree to which current Highmark HMO/CDH enrollees migrate into Aetna plans for FY18 (i.e., 0% - 75% migration into Aetna plans), and assumes 25% of total Aetna-enrolled population uses the US Imaging program.

⁶ Estimated savings would be a reduction to the State General Fund budget and not the GHIP (the GHIP receives the full premium for DSS participants and the employer group's state share contribution to the GHIP is increased by the difference between the total premium and the \$25.00 the employee pays; therefore, there is no savings impact to the GHIP but a savings to the employer group's personnel costs).

Midpoint Savings = \$24.5M

Goals:

- Addition of at least net 1 VBCD model by end of FY2018
- Reduction of gross GHIP trend by 2% by end of FY2020
- ▲ Enrollment in a CDHP or value-based plan >25% by end of FY2020

FY19 savings opportunities

Identified elements from the GHIP strategic framework (finalized December, 2016)

- Outlined below are selected areas of potential FY19 cost savings from the GHIP strategic framework. Savings noted are full year figures.

Element	GHIP Goals	Description	Member Impact	FY19 Savings
Adoption of On-site Clinic ¹	■○	Adoption of an on-site clinic for the State may yield savings through improved access to care and steerage to lower cost, high performing providers	Improved access to providers	\$1.0M
Plan Design Modifications	▲○	Savings modeled here assume 7/1/18 implementation of the following design changes: Option 1 Add \$250 single / \$500 family deductible to the PPO plan only Option 2 Add \$250 single / \$500 family deductible to the PPO and HMO plans Increase the current CDH Gold and FSB deductibles by \$250 single / \$500 family	Increasing impact as higher deductibles are added	\$6.9M - \$12.2M
Health Savings Account Adoption for 7/1/2018 ²	▲○	Adoption of a new health plan with Health Savings Accounts for participants with less than 10 years of service (hired on or after 1/1/2008)	Actual employee impact will vary based on final participant group and plan design. Actual impact may be minor based on final design.	\$9.6M
Tobacco Surcharge ³	○	Adoption of a surcharge for GHIP members who self-identify as tobacco users	Increased payroll contributions for those who use tobacco. No impact for non-tobacco users.	\$2.4M - \$5.9M
Total Savings				\$19.9M – \$28.7M

Additional FY19 Opportunities

Midpoint Savings = \$24.3M

- Requiring active enrollment for all employees
- Elimination of First State Basic and PPO plans
- Inclusion of coinsurance in lieu of copays within plan design changes
- Additional employee contribution changes
 - Movement toward aligning contributions with plan value
 - Reduction in State subsidy for spouses/other dependents
- Communications to encourage use of consumer tools and resources, importance of preventive care
- Tiered lab pricing based on place of service
- Steerage to Centers of Excellence

¹ On-site clinic savings are estimated. Savings will be further vetted through RFI process. Figure assumes 10k employees eligible for access to single clinic (\$2.0m assumed operating expenses. Assumed run-rate ROI is 1.5:1).

² Health Savings Account plan adoption savings may vary based upon final decision and enrollment. Savings projected here aligns with Governor Markell FY18 budget proposal, using an implementation date of 7/1/2018.

³ Savings assume surcharge applicable to Active Employees and Pre-65 Retirees only; assumes 15% of primary subscribers within that population will self-identify as tobacco users. Range reflects benchmark annual tobacco surcharge amounts reported by participants of the 2016 WTW Best Practices in Health Care survey in the Public Sector & Education sector (10th Percentile: \$240; 90th Percentile: \$600).

Projected funding requirements to offset GHIP budget deficits

Illustrative projections including adoption of savings opportunities

- The table below highlights the required funding to offset FY18 and FY19 deficits if the GHIP were to adopt the savings opportunities in each year
- Adopting all FY18 changes increases the surplus from \$21.3M to \$45.8M, while adopting both FY18 and FY19 changes improves the FY19 funding position by \$48.8M (from \$25.7M deficit to \$23.1M surplus)

Required funding to offset deficits in:	FY18 ¹	FY19 ¹
Additional Funding to Cover Claims	\$0M	(\$47.0M)
Claim Liability	\$0M	TBD
<u>Minimum Reserve</u>	<u>\$0M</u>	<u>TBD</u>
Projected Year-End Surplus/(Deficit) After Funding Reserve	\$21.3M	(\$1.2M)
<u>Additional Savings Opportunities²</u>	<u>\$24.5M</u>	<u>\$24.3M</u>
Projected Year-End Surplus/(Deficit) After Funding Reserve	\$45.8M	\$23.1M

¹ Savings shown represent adoption during FY18 and FY19 but do not capture future opportunities for additional savings beyond FY18 (i.e., trend reduction in FY19 and later). All savings and funding amounts represent the approximate portion attributable to the Health Fund.

² Savings reflect “mid-point savings” illustrated on preceding FY18 and FY19 slides

Default enrollment option for FY2018

- Highmark HMO and Highmark CDH Gold plans will be terminated effective 7/1/2017
 - High likelihood that some subscribers in these plans will not select a new plan during FY2018 Open Enrollment
- The State must determine the “default” option for those subscribers who do not select a new plan
- Budget epilogue language prevents default enrollment for enrollees in plans that will remain in effect in FY2018

FY17 Current Plan	FY18 Default Plan Options				
	Option 1: Similar Plan	Option 2: Lowest AV plan	Option 3: PPO Plan	Option 4: Aetna CDH Gold	Option 5: Aetna HMO
Highmark HMO (AV: 0.970)	Aetna HMO (AV: 0.970)	Highmark First State Basic (AV: 0.907)	Highmark PPO (AV: 0.967)	Aetna CDH Gold (AV: 0.830)	Aetna HMO (AV: 0.970)
Employee cost for:	Increase / (Decrease) in employee cost:				
Single: \$47 / month Family: \$125 / month	Single: \$0 / month Family: (\$1) / month	Single: (\$19) / month Family: (\$53) / month	Single: \$58 / month Family: \$148 / month	Single: (\$11) / month Family: (\$30) / month	Single: \$0 / month Family: (\$1) / month
Highmark CDH Gold (AV: 0.830)	Aetna CDH Gold (AV: 0.830)	Highmark First State Basic (AV: 0.907)	Highmark PPO (AV: 0.967)	Aetna CDH Gold (AV: 0.830)	Aetna HMO (AV: 0.970)
Employee cost for:	Increase / (Decrease) in employee cost:				
Single: \$36 / month Family: \$95 / month	Single: \$0 / month Family: \$0 / month	Single: (\$8) / month Family: (\$23) / month	Single: \$69 / month Family: \$178 / month	Single: \$0 / month Family: \$0 / month	Single: \$11 / month Family: \$29 / month

AV = Actuarial value; reflects current FY2017 medical plan designs.

Employee costs and AVs displayed above for both FY2017 and FY2018 reflect current FY2017 medical plan price tags and benefit designs, as the FY2018 price tags and designs have not yet been finalized.

Both Highmark and Aetna CDH Gold plan AVs are shown without the State-funded HRA seed (worth +0.133 points of AV).

Default enrollment considerations

FY18 Default Plan Options	FY17 Current Plan			
	Highmark HMO		Highmark CDH Gold	
	Pros	Cons	Pros	Cons
Option 1: Similar Plan (Remain in current plan under Aetna)	<ul style="list-style-type: none"> Same plan design (except gatekeeper); little employee disruption in understanding plan provisions More managed plan costs (need a referral to go out-of-network under Aetna) Little to no increase in EE contributions 	<ul style="list-style-type: none"> Slight increase in GHIP net contribution 	<ul style="list-style-type: none"> Same plan design; little employee disruption in understanding plan provisions Continue consumer directed plan management No change in EE/ER contributions 	
Option 2: Lowest AV Plan (Highmark First State Basic)	<ul style="list-style-type: none"> Lower cost to employees Decrease in GHIP net contribution 	<ul style="list-style-type: none"> Decrease in plan value may mean higher OOP costs for employees 	<ul style="list-style-type: none"> Lower cost to employees Decrease in GHIP net contribution 	<ul style="list-style-type: none"> Decrease in plan value (after accounting for HRA seed funding) may mean higher OOP costs for employees Loss of ER HRA funding
Option 3: PPO Plan (Highmark Comprehensive PPO)	<ul style="list-style-type: none"> EE choice of in-network vs. out-of-network providers 	<ul style="list-style-type: none"> Increase in EE contributions Least managed plan costs 	<ul style="list-style-type: none"> First dollar coverage 	<ul style="list-style-type: none"> Increase in EE contributions Least managed plan Loss of ER HRA funding
Option 4: Aetna CDH Gold	<ul style="list-style-type: none"> Consumer directed plan management Lower cost to employees 	<ul style="list-style-type: none"> Education needed for EEs to understand consumer driven health plans Increase in GHIP net contribution 	<ul style="list-style-type: none"> Same plan design; little employee disruption in understanding plan provisions Continue consumer directed plan management No change in EE/ER contributions 	
Option 5: Aetna HMO	<ul style="list-style-type: none"> Same plan design (except gatekeeper); little employee disruption in understanding plan provisions More managed plan costs (need a referral to go out-of-network under Aetna) Little to no increase in EE contributions 	<ul style="list-style-type: none"> Slight increase in GHIP net contribution 	<ul style="list-style-type: none"> More managed plan costs 	<ul style="list-style-type: none"> EE Disruption due to mandatory out-of-network provider referrals

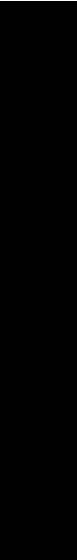
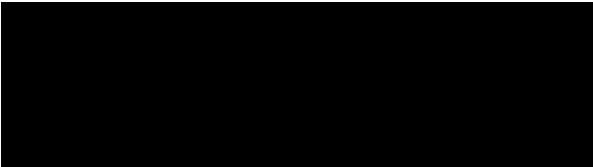
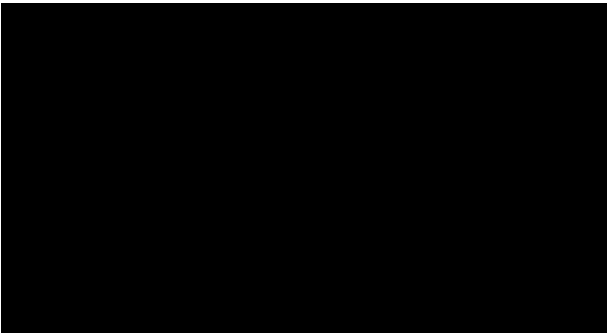
Default enrollment recommendation

Option #1: Default enrollees to similar plans

(Highmark HMO and CDH to Aetna HMO and CDH, respectively)

- Cost neutral to employees and GHIP
 - CDH enrollees continue to receive employer HRA funding
- **Aligns with strategy** to maximize plan enrollment in value-based and consumer-driven plans (plans will help to better manage future plan costs)
 - HMO enrollees participate in Aetna's AIM model
 - CDH enrollees continue in a consumer driven health plan
- Enrollees already understand current plan provisions

Appendix



FY17 rates and contributions

	FY 2017		
	Rate	Employee/Retiree Contribution	State Subsidy
First State Basic			
Employee	\$695.36	\$27.84	\$667.52
Employee + Spouse	\$1,438.68	\$57.52	\$1,381.16
Employee + Child	\$1,057.02	\$42.26	\$1,014.76
Family	\$1,798.42	\$71.92	\$1,726.50
Aetna CDH Gold			
Employee	\$719.68	\$35.98	\$683.70
Employee + Spouse	\$1,492.22	\$74.58	\$1,417.64
Employee + Child	\$1,099.56	\$54.96	\$1,044.60
Family	\$1,895.74	\$94.78	\$1,800.96
Aetna HMO			
Employee	\$725.94	\$47.16	\$678.78
Employee + Spouse	\$1,530.58	\$99.50	\$1,431.08
Employee + Child	\$1,110.52	\$72.18	\$1,038.34
Family	\$1,909.82	\$124.12	\$1,785.70
Comprehensive PPO			
Employee	\$793.86	\$105.18	\$688.68
Employee + Spouse	\$1,647.34	\$218.26	\$1,429.08
Employee + Child	\$1,223.46	\$162.08	\$1,061.38
Family	\$2,059.40	\$272.86	\$1,786.54
Port POS			
Employee	\$601.74	\$0.00	\$601.74
Employee + Spouse	\$1,490.58	\$0.00	\$1,490.58
Employee + Child	\$905.58	\$0.00	\$905.58
Family	\$1,505.40	\$0.00	\$1,505.40

FY17 rates and contributions

	FY 2017		
	Rate	Retiree Contribution	State Subsidy
Medicfill			
Retiree prior to 7/1/2012			
Subscriber	\$459.38	\$0.00	\$459.38
Subscriber no Rx	\$260.44	\$0.00	\$260.44
Retiree after 7/1/2012			
Subscriber	\$459.38	\$22.96	\$436.42
Subscriber no Rx	\$260.44	\$13.00	\$247.44